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August 25, 2015

TO: Each Supervisor

FROM: Sheryl L. Spiller, Director

**SUBJECT: REPORT BACK ON THE STAGE ONE CHILD CARE (S1CC)
CONTRACTS (BOARD MOTION, AGENDA ITEM NO. 15,
JUNE 23, 2015)**

This memorandum is in response to the June 23, 2015 Board Motion by Supervisor Ridley-Thomas that directed the Director of the Department of Public Social Services (DPSS), in consultation with County Counsel, to investigate and report back to the Board in writing in 60 days on:

1. The feasibility of amending the S1CC contracts to require the Alternate Payment Program (APPs) agencies to collect and track data pertaining to the license-exempt child care providers who provide care in the home of the child, including the caretakers' relationship to the child;
2. Whether Los Angeles (L.A.) County's ST1-22 affidavit, currently signed by the California Work Opportunity Responsibility for Kids (CalWORKs) participants receiving license-exempt child care in their homes, should be revised; and
3. How a representative sample of other counties in California are administering the S1CC program as it relates to license-exempt child care providers who provide care in the home of the child.

Feasibility of Amending the S1CC Contracts to Require Additional Provider Data

The contracted S1CC APP agencies currently do not have a mechanism in place to collect or track data related to the Provider, his/her relationship to the child, nor the ability to report this information to L.A. County. If the County were to require the contracted APP agencies to capture this data, the APPs would need to establish manual and electronic methods to track and report the information.

To obtain data from active child care case files, the APPs would need to manually extract the information. For new child care cases, the APPs would need to establish a mechanism to electronically track and report this information on an ongoing basis. This will require the APPs to determine the level of effort and cost needed to upgrade their computer systems, which will vary by agency depending on the size and complexity of their independent system and operation. They will also need time to estimate the staffing resources required to perform these tasks. Should the County require the APP's to track and report this information, contract amendments would be required to implement the changes and to compensate the APP agencies for the additional costs.

APP agencies have indicated that to collect and track this information would create an increased workload and an administrative burden since a reporting mechanism currently does not exist.

ST1-22 Affidavit

DPSS researched the feasibility of revising the current affidavit (ST1-22) signed by CalWORKs participants receiving license-exempt child care in their homes.

The State allows counties to issue payments directly to S1CC participants who in turn pay license-exempt in-home care providers. However, we experienced that providing payments to participants resulted in fraud where the child care provider was never reimbursed for child care services rendered. Therefore, L.A. County opted to make all child care payments directly to the providers.

While L.A. County does offer the participant the option of selecting license-exempt in-home care, to avoid fraud and ensure that providers get paid, the County pays the providers directly. The State requires that participants, who elect license exempt in-home care, adhere to specific legal and financial reporting requirements. To meet this state mandate, the County requires that the participants sign the ST1-22 Affidavit, where the participant acknowledges their responsibilities as the "employers of record" and understand that these responsibilities include any legal and financial reporting of items such as: 1) payment of State disability and federal unemployment taxes, and 2) fulfillment of minimum wage obligations, in accordance with State regulations.

Many of the State's CalWORKs Stage 1 Child Care forms and notices document the participants' legal and financial requirements when selecting license-exempt in-home care.

Other Counties' Practice

DPSS contacted eleven counties (Fresno, Monterey, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara and Ventura) to obtain information on how they administer their programs. Ten counties indicated that they only issue child care payments directly to child care providers and not to participants.

Monterey County indicated that they issue S1CC payments to participants for disbursement to child care providers. However, they believe that this payment methodology may be dissuading participants as they have a very small number of child care cases using license-exempt in-home care.

The ten counties surveyed indicated that:

- They consider CalWORKs participants to be the “employer of record” when they elect to employ license-exempt in-home child care providers.
- Like L.A. County they inform participants, parents and child care providers, of their legal and financial reporting obligations.
- They also require participants to sign an affidavit similar to our ST1-22.
- Participants are notified of their legal and financial obligations via numerous methods, such as the CalWORKs S1CC forms, pamphlets, notices of action, Parent/Provider Handbooks, IRS 1099 forms, etc.
- They do not track participant compliance with these legal and financial responsibilities. Moreover, the state regulations do not require Counties to confirm participant’s compliance with these financial reporting responsibilities.

If you have any questions or require additional information, please contact me or your staff may contact Jose R. Perez, Assistant Director at (562) 908-8633.

SLS:vo

c: Interim Chief Executive Officer
Acting Executive Officer, Board of Supervisors
Interim County Counsel